



## United States Department of the Interior

### BUREAU OF INDIAN AFFAIRS SAN CARLOS IRRIGATION PROJECT

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IN REPLY REFER TO:  
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Mr. J. Tyler Carlson  
Western Area Power Administration  
Desert Southwest Regional Manager  
P.O. Box 6457  
Phoenix, Arizona 85005-6457

Dear Mr. Carlson:

San Carlos Irrigation Project ("SCIP") offers the following comments on the proposal of the Western Area Power Administration ("Western") to re-market power from the Parker-Davis Project ("Project"), as published in the Federal Register, Volume 67, Number 153 on Thursday, August 8, 2002.

San Carlos Irrigation Project qualifies as a preference customer, as defined by federal reclamation law and Western policies, and has complied with the Integrated Resource Planning requirements of Western's Energy Planning and Management Program ("EPMP").

#### A. San Carlos Irrigation Project Supports Western's Proposed Re-Marketing Plan

San Carlos Irrigation Project supports Western's proposal to apply the Power Marketing Initiative ("PMI") in Subpart C of EPMP to the Parker-Davis Project. Under that proposal, the San Carlos Irrigation Project and other existing Parker-Davis customers would receive 94 percent of their current power allocations for a period of 20 years. Six percent of the available Parker-Davis resource would be set aside to allocate to new preference customers, including Native American tribes. To the extent existing customers' allocations are reduced by the resource set aside, new customers would be required to reimburse existing customers for undepreciated replacement advances. Western also proposes to waive the requirement for "utility status" for Native American tribes.

San Carlos Irrigation Project believes that Western's proposal for re-marketing Parker-Davis power is equitable and well-grounded in precedent and policy. We urge its final approval.

#### B. Parker-Davis Power is a Vital Part of San Carlos Irrigation Project Resource Mix

Certainty about our Parker-Davis allocation will provide important resource stability for San Carlos Irrigation Project and for the consumers we serve. In light of the recent dramatic volatility in the electricity markets in California and the West, the stability that renewal of long-term contracts will provide to the San Carlos Irrigation Project is more valuable than ever. Certainty as to the amount and duration of our future Parker-Davis allocation will also enable San Carlos Irrigation Project to engage in effective long-term planning to ensure our ability to meet current and future load demand.

San Carlos Irrigation Project current allocation of Parker-Davis power is approximately twenty-one percent of our total summer resource portfolio. The Parker-Davis allocation is therefore a relatively significant part of San Carlos Irrigation Project's total resources, and is critical to our ability to maintain affordable electric rates. If San Carlos Irrigation Project allocation of Parker-Davis power were eliminated or significantly reduced, we would have to develop a substitute resource or purchase replacement power from the market. These additional costs would have to be passed directly through to our retail customers.

San Carlos Irrigation Project allocation of Parker-Davis power plays an important role in our local and regional economy. The San Carlos Irrigation Project's long-term objectives include continuing to provide low cost, reliable energy to our customers and enhance customer financial stability through the provision of services which enhance property values and provide long-term stability in electric power rates. Our ability to continue to meet both these objectives and the challenges associated with urbanization depends in no small part upon the stability provided by our long-term contractual resources.

**C. Western's Proposal is in the Best Interest of the United States**

Long-term contract extensions will help ensure timely repayment of the federal investment in the Parker-Davis Project by providing relative assurance of a continuing revenue stream to the U.S. Treasury. Parker-Davis power customers are responsible for repayment of all Parker-Davis power facilities, with interest. Power customers must also repay up to 90% of irrigation costs and cover significant environmental expenses associated with the Project.

Western's prior contract experience with existing Parker-Davis customers demonstrate their creditworthiness and dependability and underscores for the government the value of a long-term relationship.

Shorter-term contracts could make it more difficult for Western to market the Parker-Davis resource and increase its administrative burden.

**D. There is Strong Precedent for Applying the PMI to the Parker-Davis Project**

Although the Record of Decision for the EPMP provides that application of the Power Marketing Initiative will be decided on a project-by-project basis, there is strong Precedent for Western's proposal to apply it to the Parker-Davis Project. Since 1995, Western has successfully implemented the PMI at the Pick-Sloan Missouri Basin Program – Eastern Division, the Loveland Area Projects, the Salt Lake City Area/Integrated Projects and the Central Valley Project. The central features of the PMI, which assure existing customers that they will receive a "major portion" of their current allocations while allowing Western the flexibility to offer a "modest percentage" of the resource to new customers, represent a balanced, equitable and tested approach to contract renewal. The PMI has worked well for Western, for the federal government and for customers. Absent a compelling rationale, San Carlos Irrigation Project sees no reason to undermine that success by abandoning or significantly altering the PMI at the Parker-Davis Project.

Application of the PMI to the Parker-Davis Project also reinforces Western's policy of "regional equity" by treating preference customers in the Parker-Davis marketing area in a manner substantially identical to the way customers were treated in the Pick-Sloan Missouri Basin Project, Colorado River Storage Project and Central Valley Project. Although there are slight differences in the size and timing of the

resource "set aside" for new customers at each project, the six percent proposed for the Parker-Davis Project is consistent with set aside at the other projects.

**E. Application of the PMI is Likely to Have Positive Environmental Effects**

One of the goals of the EPMP is to encourage efficient energy use by existing Western customers by requiring Integrated Resource Planning (IRP) in exchange for Western's commitment to extend long-term firm power contracts. San Carlos Irrigation Project has fully complied with Western's IRP requirements and believes that Western must now honor its commitment by executing a 20 year renewal of San Carlos Irrigation Project's contract for Parker-Davis Power. Western effectively recognized this "quid pro quo" in its Notice of the final 2004 Power Marketing Plan for the Sierra Nevada Region. (Federal Register, Volume 64, Number 122, Friday, June 25, 1999).

Western's EPMP Environmental Impact Statement (EIS) also noted that longer term Contracts are positive for the environment because customers will be more likely to Invest in renewable resources if they have a stable foundation of federal hydropower. The EIS indicated that short-term contracts could lead customers to develop resources that are cheaper in the short term, but more adverse environmentally.

If you have any questions, please contact me at (520) 723-6200

Sincerely,

A handwritten signature in black ink, appearing to read "Robert E. Carolin", written in a cursive style.

Robert E. Carolin  
Project Manager